7/25/78

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Commentary

Volume Sixty-five, Number Six, June 1978

Imperial Government

Daniel P. Moynihan

Arms and the Saudi Connection

Steven J. Rosen and Haim Shaked

PUBLISHED BY THE AMERICAN JEWISH COMMITTEE

THE WHITE HOUSE
WASHINGTON

7-25-78

To Phil/Fran
Prepare for me
to go to N.Y.C. to
sign the aid bill
when it passes. Add
a little entertainment
while there -

J

Milliken Building
400 E. Anderson Lane
Suite 330
Austin, Texas 78752
Phone: 512-836-1321

INDEPENDENT CATTLEMEN'S ASSOCIATION
OF TEXAS, INC.

ICA

Stu
J

INDEPENDENT CATTLEMEN'S ASSOCIATION OF TEXAS

Report to the President

On the Condition of the Cattle Industry

As Presented by Roy G. Wheeler

The White House

Tuesday July 25, 1978

The cattle industry has been faced with a multitude of problems in recent years.

Instability in the market place has taken its financial toll on livestock producers just as it has hurt agriculture as a whole.

In 1974, cattle prices dropped to an historic low. These prices continued to be depressed until recent months. The economic circumstances have forced many ranchers into bankruptcy. Troubled times for ranchers are not over in spite of slightly higher prices received for livestock recently.

Cattle numbers are at a dangersous low. Herd size has been reduced to a point where the nation could, in all probability, be faced with beef shortages in coming years. Despite higher prices, liquidation is continuing. Many banks are calling in loans on livestock for fear of another price drop. Ranchers are selling because they have the same concerns over the market. Financial lending institutions are hesitant to lend producers capital because of the instability in the market place. There will be no attempt to build herds while market uncertainties exist as they do today.

The livestock industry has never asked for subsidies or guaranteed prices. The only guarantees we ask is that the market be freed from outside factors that disrupt prices and distort market outlooks. Cattle producers feel this can be achieved by changing existing problems in the 1964 Meat Import Act.

The Meat Import Act of 1964 has caused serious damage to the livestock industry and consumers of the nation. The law created instability in the market place which promotes extended depression periods in the livestock industry and allows the consumer to fall prey to windfall profits on the wholesale and retail level.

The current law allows an escalation of meat imports in line with domestic production. This means more imports when less is critically essential to American cattlemen. When domestic production is high the domestic producer will liquidate herds. At this point, massive amounts of meat imports are allowed to enter the United States. This causes the liquidation period to be extended and producer prices dip further than we are experiencing at this time. Actually, cow numbers have dropped to an alarming level and retail prices can be expected to soar unless the present law is changed.

The 1964 Meat Import Act causes wide fluctuations in live market prices which also promote a great "rip off" of the American consumer. In 1974, cattle prices reached an all-time low due primarily to the unresponsiveness of the 1964 law. In the following year, cattle prices reached an all-time low, but retail prices remained about the same. Packers and retailers received windfall profits at the expense of the consumer. This will happen again and again until the markets of the domestic livestock producer become more stable avoiding a boom-to-bust situation.

Several methods have been proposed to better stabilize our markets through responsive meat import allocations. Any method adopted must be carefully analyzed to formulate a permanent solution to the problems plaguing American consumers and livestock producers. Such a solution must include key ingredients necessary for compatability of American producers and foreign producers.

We feel that H.R. 5052, as passed by the Senate, is acceptable at solving the import problem. Sen. Bentsen's legislation addresses all the problems with the exception of live cattle. The Senate-passed legislation does not address itself to the fact that there are no restrictions placed on live cattle entering the country from Mexico and Canada. Last year, over a million head of live cattle entered the United States from these countries.

The impact of livecattle imports is two-fold. When these cattle cross the border and reach a market terminal, that market terminal is automatically depressed. This depression causes a chain reaction across the nation to all market terminals. This "domino effect" will devastate the domestic market for live cattle. In addition, the meat from the imported cattle once again competes with domestically produced meat.

The Bentsen legislation, by use of a countercyclical factor based on per capita U.S. commerical domestic cow beef production, would tend to remove the destabilizing effect of imports under the present law on the U.S. market.

Under the bill, any limitation proclaimed by the President would permit more imports in times of low U.S. production and rising prices, thus increasing U.S. supply and having a price retarding effect beneficial to consumers. Less imports would enter in times of high U.S. production and falling prices, thus decreasing U.S. supply to avoid severe losses to domestic producers.

The Senate-passed legislation would also close a loophold existing in the present law. The present law does not include processed meat. Under the bill, this adjusted base quantity would then be further adjusted by the same countercyclical factor as employed with respect to unprocessed beef.

Added stability in the beef and veal industry should provide an economic climate which encourages investment in cost-reducing technology, improvements in productivity, better breeding stock, pasture improvements, better machinery and equipment and better veterinary programs. Because of increased efficiencies, which can be attained by the domestic industry in a more stable price and production environment, improvement in the quality, certainty of supply and price of beef will benefit the consumer.

A nation can maintain its greatness only as long as it can compete in the world market with a raw product produced by its own industry. Until recently, the raw materials produced on the farms and ranches of this nation have managed to balance trade. There is no way of knowing how many dollars have been lost in trade due to the ridiculously low prices placed on our agricultural products. Countries around the world export their products freely to the United States while at the same time they close their ports to our beef. In the spirit of free trade and the individual's right to a stable diet, these barriers should be removed.

The Independent Cattlemen's Association of Texas recommends the following solutions to remedy problems facing livestock producers and consumers of the nation:

1. Support of H.R. 5052 by Sen. Bentsen to provide a countercyclical approach of allowing beef imports to enter the U.S.
2. Include live cattle in the meat import quotas.
3. Rescind the beef import decision to allow additional meat imports in our country.
4. Guarantee that the meat import quotas will not be suspended in 1979.
5. Remove trade barriers structured by other countries.

THE WHITE HOUSE
WASHINGTON

July 25, 1978

Phil Wise
Fran Voorde

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

CIVIL SERVICE MEETING IN CONG. FISHER"S DISTRICT

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

C

July 25, 1978

TO: The President

FROM: Phil and Fran Phil Fran

RE: Civil Service Meeting in Congressman Fisher's District

As you know, we were planning a town hall meeting on civil service for Thursday evening, August 3.

In talking with Congressman Fisher's office and in reviewing the logistics requirements (running newspaper ads, drawing from a lottery, etc.) we find that time is too short to do what must be done to make it an effective town meeting.

We recommend, therefore, that the format be changed to a roundtable discussion similar to those you have participated in in Charleston, West Virginia; Detroit and Denver. This can be done and be done well in the amount of time we have.

In addition, the advantage the roundtable discussion has is that it will allow the focus to be exclusively on civil service reform. Scotty Campbell will sit at the table with you and you will be able to call upon him, as needed, for any technical assistance.

Congressman Fisher, Scotty Campbell and Rafshoon agree with this proposed change in format.

Approve ✓ ______________________

Disapprove ______________________

J

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 24, 1978

C

Eyes Only

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: June Data on New Orders for Durable Goods

The Commerce Department will release figures tomorrow (Tuesday, July 25) at 2:00 P.M. on new orders for durable goods received by manufacturing firms.

Total new orders for durable goods declined 2.9 percent in June, following little change in May. The decline was widespread by industry categories; orders for nondefense capital goods -- an indicator of future business investment in machinery and other equipment -- were down 2.7 percent.

Durable goods orders are very volatile. Led by a rebound in steel orders, the total rose very sharply in February and March, and stayed at high levels in April and May. Some decline in June was therefore neither unusual nor reason for concern.

The recent behavior of orders for nondefense capital goods, on the other hand, is not as strong as we would like. These orders rose sharply in the fourth quarter of last year, and continued up in early 1978. Over the past several months, however, no further growth has occurred.

It is still too early to alter our forecast of business capital spending and overall economic expansion on the basis of this evidence. However, we will need to monitor the incoming indicators of business investment carefully over the next few months.

Orders for Durable Goods
(Millions of Dollars)

	Total		Nondefense Capital Goods	
	Monthly Average	Percent Change	Monthly Average	Percent Change
Q3 1977	58,667		14,862	
		9.4		10.3
Q4 1977	64,181		16,392	
		3.4		5.5
Q1 1978	66,344		17,300	
		4.6		2.5
Q2 1978	69,371		17,724	
April	70,033	1.5	17,409	-.6
May	70,045	-	18,124	4.1
June	68,035	-2.9	17,638	-2.7

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

C

MEMORANDUM TO THE PRESIDENT

FROM: LANDON BUTLER

DATE: JULY 25, 1978

SUBJECT: POSTAL CONTRACT

The trouble spots mentioned in Gene Eidenberg's report yesterday are improving. Job attendance is up in Carney, Seacaucus and Jersey City, New Jersey, and in the San Francisco and Los Angeles areas.

The Temporary Restraining Orders for Los Angeles and New Jersey areas have been continued with the New Jersey judge advising the government to be ready to proceed with contempt actions if his order is violated.

The shop stewards and officers of the New York City unions met last night. A motion to strike was offered and defeated. However, they further voted to conduct a strike vote referendum by the entire membership by mail. The mail referedum will take 4-5 days.

Termination notices have been sent by the USPS to 20 employees in San Francisco, 10 employees in Los Angeles, and 20 employees in New York City. Each terminated employee has rights to a grievance procedure. USPS stated that all terminations were issued to employees who should have been at work and who blocked other employees efforts to return to work. The 122 termination figure mentioned in the WASHINGTON POST is incorrect according to USPS figures.

cc: Barry Bosworth
Charlie Schultze
Stu Eizenstat
Bob Lipshutz
Jody Powell
Frank Moore
Ray Marshall
Hamilton Jordan

2:30

C

THE WHITE HOUSE

WASHINGTON

July 25, 1978

Mr. President --

The National Cattlemen's Association is a little bit unhappy with us for allowing other representatives of the cattle industry into the 2:30 meeting. They have told at least one of the other participants (recommended by Senator Clark) that he is not welcome and have suggested that he remain out of camera range.

While Richard McDougal will serve as spokesman for the National Cattlemen's Association, we suggest that you make certain that others attending the meeting have an opportunity to make additional comments, if they wish.

Stu

STU

P.S. The other people were added on the recommendations from Senators Clark, Eagleton and McGovern.

2:30 PM

THE WHITE HOUSE

WASHINGTON

MEETING WITH JIM CUSHMAN AND OTHER
REPRESENTATIVES OF THE CATTLE INDUSTRY
Tuesday, July 25, 1978
2:30 p.m. (15 minutes)
The Cabinet Room

From: Stu Eizenstat

I. PURPOSE

To discuss the economic condition of the cattle industry, implications of your recent decision to permit increased beef imports this calendar year, and possible future Federal actions that could affect the cattle market.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: As you know, the Administration has come under heavy criticism from livestock producers for allowing an additional 200 million pounds of beef to be imported this calendar year. A sharp drop in livestock prices at about the same time as the decision provided our critics with an irresistable opportunity to blame the Administration for the drop in price. Those familiar with the industry know that this was only one of several factors and not a very important contributor, at that. Still, the general public is susceptible to such misinformation. Furthermore, this decline has reversed and cattle prices are nearly back to their former levels. These trends are charted at Tab A.

B. Participants: The list of participants is attached at Tab B. As you requested, we have attempted to invite a representative group. This includes, in addition to Jim Cushman, the officers of the National Cattlemen's Association, and industry representatives suggested by Senators Clark, McGovern, and Eagleton, and Secretary Bergland. Also as you requested, Secretary Bergland will attend the meeting.

C. Press Plan: Press photo opportunity for first three minutes.

III. TALKING POINTS

Attached at Tab C.

TAB A.

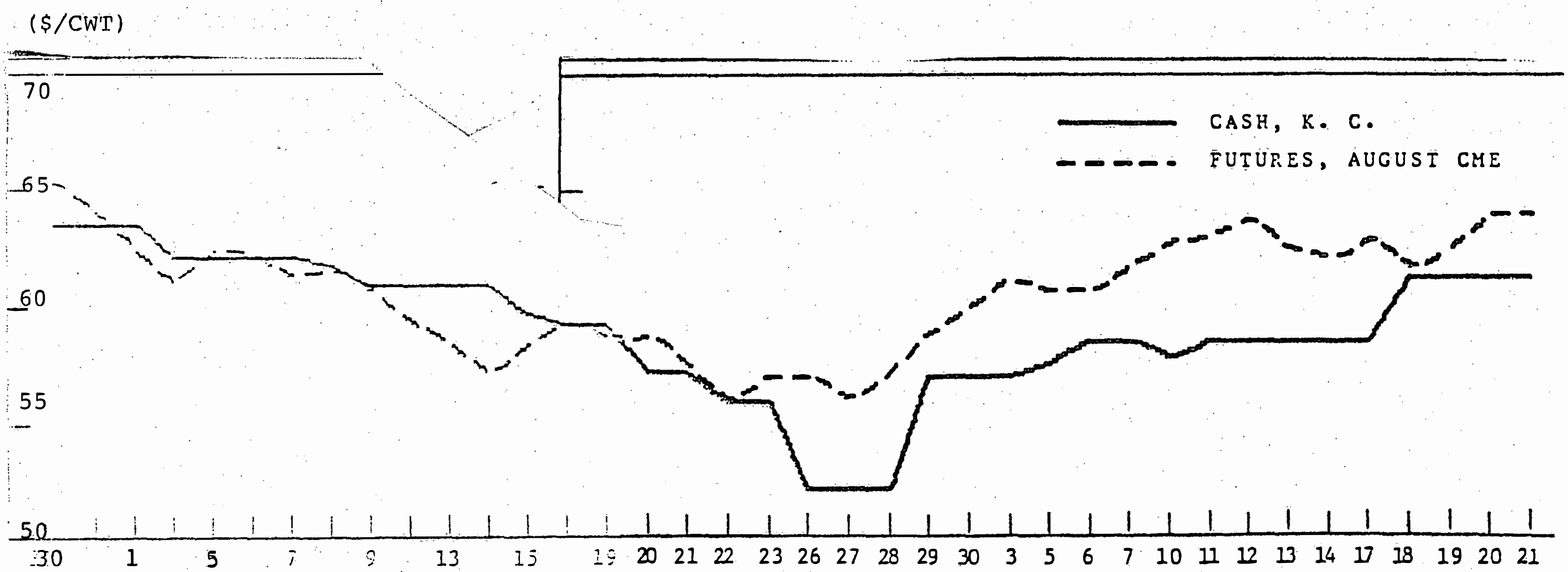
CATTLE PRICES, STATED MARKETS, JUNE-JULY, 1978

	Choice Steers (900-1100 lbs.) Omaha	Feeder Cattle (600-700 lbs.) Kansas City	Cows Utility
	($/cwt.)		
June 1	61.25	63.50	40.25
2	61.25	62.00	40.25
5	57.75	62.00	39.25
6	58.25	62.00	39.00
7	59.25	62.00	38.00
8	59.25* → 53.50	61.50* → 61.25	37.00* → 35.00
9	59.25	60.75	37.00
12	59.25	60.75	37.50
13	58.00**	60.75**	37.75**
14	57.25	60.75	37.75
15	56.25	59.50	37.75
16	56.25	59.00	37.75
19	54.75	59.00	37.75
20	54.00	57.00	37.75
21	53.00	57.00	37.75
22	51.13	55.75	36.75
23	51.15	55.75	37.75
26	52.20	52.00	36.75
27	53.00	52.00	37.25
28	52.50	52.00	37.25
29	52.50	57.00	37.25
30	52.50	57.00	37.25
3	54.50	57.00	38.25
4	Holiday		
5	55.50	57.50	39.25
6	55.50	58.50	39.25
7	55.50	58.50	39.25
10	54.38	57.50	40.50
11	54.25	58.50	41.00
12	55.13	58.50	39.25
13	55.13	58.50	38.25
14	55.13	58.50	38.25
17	55.00	58.50	37.00
18	54.50	61.25	35.75
19	53.50	61.25	34.75
20	53.50	61.25	34.75
21	53.50	61.25	35.00

* announcement of increased meat imports made after market close

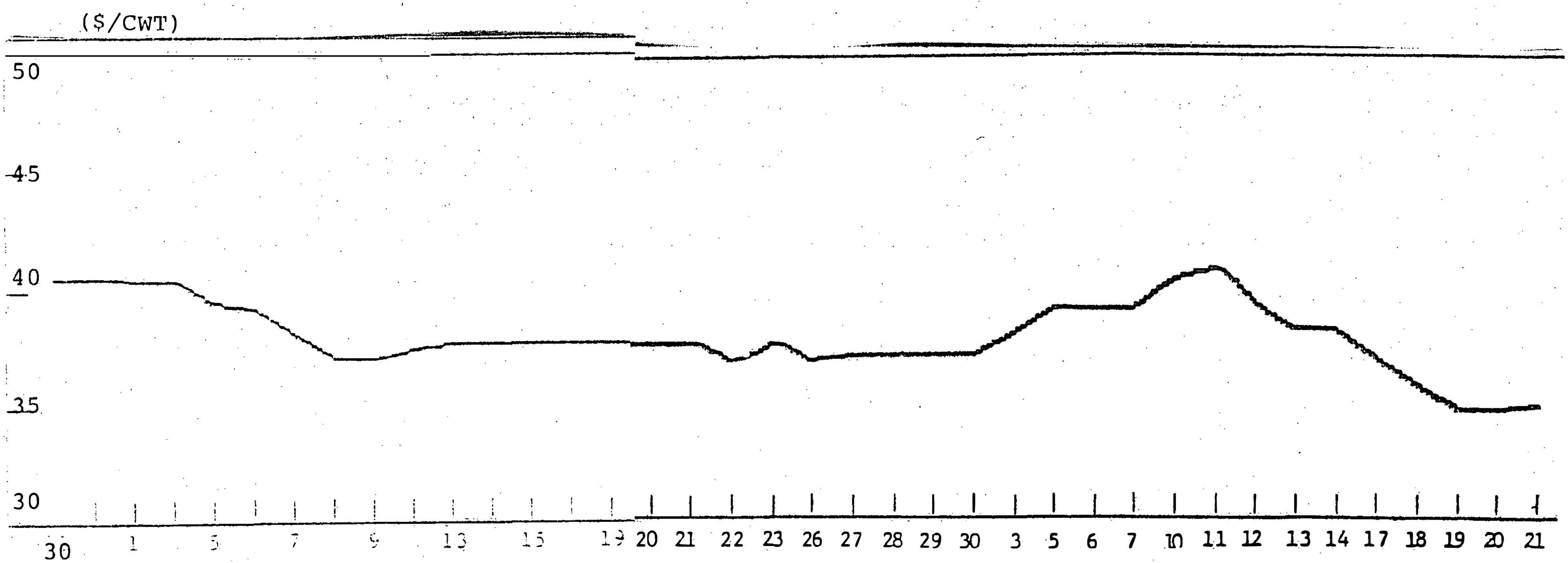
** cattle on feed report release after market close

DAILY CASH AND FUTURES PRICES, FEEDER STEERS



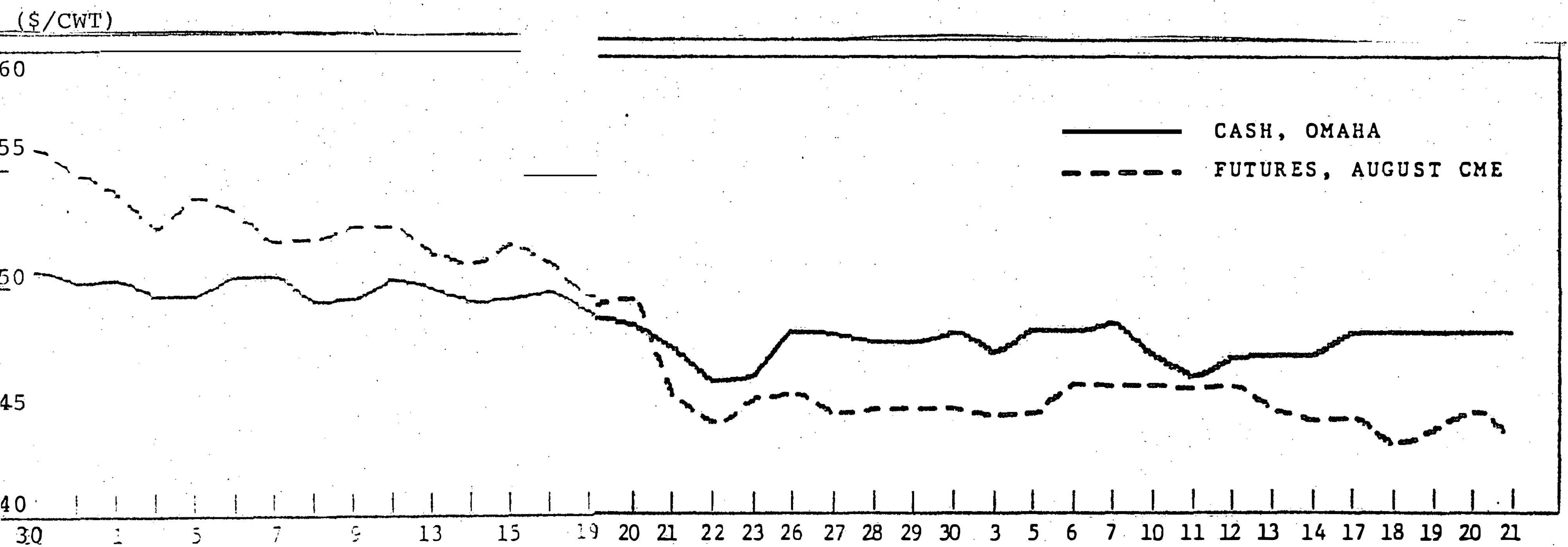
MAY 30 - JULY 21

DAILY CASH PRICES, UTILITY COWS, OMAHA



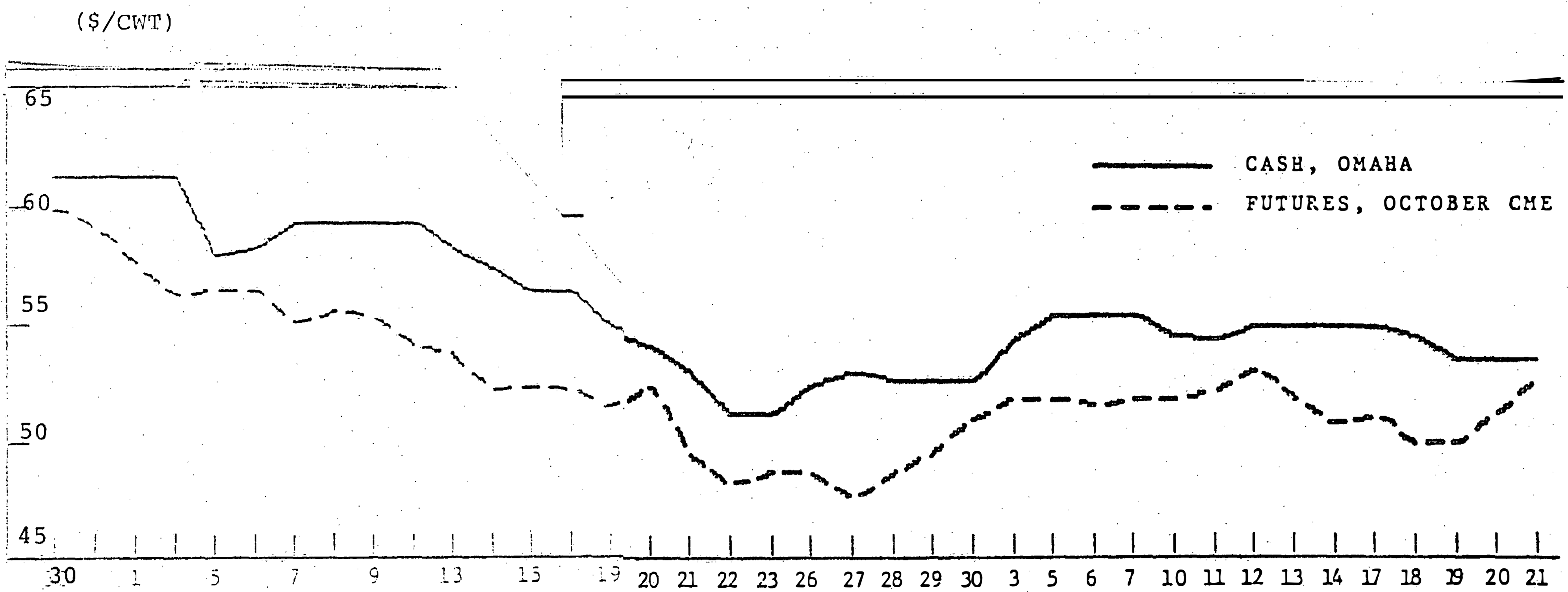
MAY 30 - JULY 21

DAILY CASH AND FUTURES PRICES, HOGS



MAY 30 - JULY 21

DAILY CASH AND FUTURES PRICES, STEERS



MAY 30 - JULY 21

TAB B.

LIST OF PARTICIPANTS

Secretary Bob Bergland
Howard Hjort
Jim Webster
Stu Eizenstat
Lynn Daft

National Cattlemen's Association Officers

* Richard A. McDougal, President (Nevada)
Lauren Carlson, First Vice President (Minnesota)
George Spencer, Executive Vice President (Colorado)
C. William McMillan, Vice President, Government Affairs
Curtis Avery, President, Cattle Marketing Information Svcs. (Georgia)
James E. Cushman (Georgia)

Cattlemen Representatives

William Shermer, President, Iowa Cattlemen Association (Sen. Clark)
Glenn Gregg (Sen. Clark)
Roy Wheeler, President, Independent Cattlemen's Association, Texas (Sec. Bergland)
Joe Lee Davidson, President, Missouri Cattlemen (Sen. Eagleton)
Kermit Pearson, South Dakota Agriculture Marketing Commission (Sen. McGovern)
Ralph Cellon, Florida Cattlemen, Chairman ASCS (Phil Wise)

* Will serve as principal spokesman for the group.

TAB C.

TALKING POINTS

1. Although we believe it best to avoid being too defensive over the decision to increase beef imports, we see advantage in giving the participants a sense that the issue was carefully and fully considered in advance of the decision. Toward this end, you might want to briefly review the major reasons we took this action:

   o Recognition that the action would have comparatively little price effect for either consumers or producers but that it was one of the few actions that could be taken to moderate the very rapid rise in retail food prices. It was an important action in building our overall anti-inflation psychology.

   o A fear that without some attention to increasing prices, consumer resistance could occur resulting in a significant drop in per capita beef consumption. This occurred in 1973, and required several years for consumers to return to their earlier consumption patterns.

   o Forecasts of a very healthy livestock economy for at least the next 2-3 years, as the rebuilding phase of the cattle cycle gets underway.

   o The consistency between this action and the countercyclical formula being proposed by the livestock interests.

   o A desire to avoid suspending quotas entirely, although there was advice to do so from several quarters.

2. To increase producer confidence and encourage the rebuilding of herds, representatives of the National Cattlemen's Association will probably suggest that you do the following:

   o Assure cattlemen that there is no intent to seek price controls.

   o Assure cattlemen that there will be no further increase in meat imports in 1978 and that the Administration will negotiate import restraints for 1979 within the framework of the Meat Import Act of 1964.

   o Support changes in the Meat Import Act, including a countercyclical quota formula and a redefinition of the President's authority to suspend quotas.

In your conversation with Senator Clark on July 11th you indicated that the Administration did not intend to seek authority for price controls nor would additional meat imports be allowed this year. The statement released by the Vice President in Topeka on July 14th (Tab D) reaffirmed this. You will note that the Vice President's statement indicates that we have rejected (at this time) a policy of totally open-ended beef imports which implies that we will negotiate restraints as suggested by the NCA, but stops short of a commitment.

With regard to changes in the Meat Import Act, the Administration opposed the Bentsen bill for the following reasons:

-- in comparison with the way in which existing authority is being administered, this bill would have further restricted imports over the period of a complete cattle cycle. (Note: Although NCA argues that imports would increase by 582 million pounds over the next 10 years under the Bentsen formula, this ignores the effect of periodic suspension of quotas. When this is taken into consideration, assuming that quotas are suspended in 3 out of every 10 years, the Bentsen formula would decrease imports by about 820 million pounds over the next 10 years. A comparison of the level of imports under these alternatives for the period 1979-88 is attached.);

-- it would restrict Presidential powers to suspend quotas; and

-- it would extend coverage to processed meats, thereby further restricting international trade.

The Department of Agriculture is exploring alternative countercyclical formuli to see if one can be constructed that would redistribute imports over a complete cycle without restricting the total quantity imported. You might ask representatives of the industry if such a formula would meet their approval.

3. You might note that philosophically this Administration is in rather close accord with most cattlemen. We too believe that governmental intervention in the market should be kept to a minimum and that agriculture should not be permitted to become dependent on governmental support and protection. In fact, the decision to allow more beef imports was a move in this direction, in that it reduced the level of governmental interference in world trade.

Table A.--Imports and imports as a percent of production

Year	Current formula		Current formula quota suspended		Bentsen proposal	
	Mil. lbs.	Percent	Mil. lbs.	Percent	Mil. lbs.	Percent
1979	1,236	7.4	1,443*		1,379	8.3
1980	1,176	7.2	1,724*		1,529	9.4
1981	1,140	6.9	1,787*		1,493	9.0
1982	1,152	6.7	1,152		1,452	8.5
1983	1,195	6.6	1,195		1,469	8.1
1984	1,252	6.6	1,252		1,402	7.4
1985	1,325	6.5	1,325		1,271	6.2
1986	1,404	6.5	1,404		1,039	4.8
1987	1,451	6.9	1,451		1,045	4.5
1988	1,388	7.9	1,388		1,222	6.9
Total	12,719	6.9	14,121	7.7	13,301	7.3

*Quota suspended in the 3 years of the 10-yr. period in which domestic production is lowest.

TAB D.

OFFICE OF THE VICE PRESIDENT'S PRESS SECRETARY

FOR RELEASE FRI., JULY 14 AT 2:00 PM CDT (3:00 PM EDT) JULY 14, 1978

TOPEKA, Kan., July 14 -- The following is the text of a statement released here today by Vice President Walter F. Mondale.

"A strong and prosperous American agriculture is and will always remain a major objective of our Administration.

"To ensure that we meet this objective, American farmers and ranchers must be able to earn fair profits. But they must also be able to produce food at prices consumers can afford.

"Our country, and especially our livestock producers, cannot afford renewed consumer boycotts, price freezes, or long-term depressed prices from which cattlemen are only now recovering.

"To prevent such disruption, the President has asked me to make clear that he is not considering and has no intention of considering the imposition of price controls on meat.

"In addition, we recognize that American farmers must be protected from major market uncertainties to permit stability of production. Therefore, we have rejected a policy, such as that pursued in 1972, 1973 and 1974, of totally open-ended beef imports.

"Our policies are designed to promote a profitable cattle industry and stable retail prices. These two objectives are not only consistent; they can only be achieved if they are pursued hand in hand. And last month's action on meat imports -- adding only one half of one percent to our meat consumption -- was taken with both goals in mind.

"Livestock markets have over-reacted to that announcement and to a report showing slightly higher than expected numbers of cattle on feed.

"Livestock prices are now recovering. The market is adjusting to reflect more accurately the actual supply/demand outlook. That outlook is strong. The cattle inventory is down sharply from 1975's record level. Prices received by farmers are now 30 percent above last year. Forecasts show that both cow-calf operators and feeders can look forward to favorable returns over the next several years.

"For this year alone, we are projecting a 25 percent increase in total net farm income compared with last year -- a $5.5 billion increase. A large part of this increase will be shared by cattlemen.

"We welcome this recovery and believe that it will contribute to a healthy and stable industry with prices at a level that will permit producers to pay off debts that have accumulated over the past 4-5 years, supply our consumer markets, and have the chance to earn a fair and decent profit.

"This policy of sustained recovery is the best policy for our consumers as well as our livestock farmers. Only when producers have the opportunity to earn reasonable profits, can they make the long term investments that are needed to provide adequate supplies of meat for our consumers.

"Finally, we are exploring ways to overcome a problem that cannot be measured in dollars and cents but is no less important to the future of our livestock industry -- the legacy of distrust toward government that grew out of the price freeze and the removal of all control on beef imports during the early 1970's.

"Several days ago, the President, Secretary Bergland and I met with Senator Clark of Iowa, who discussed with us at great length the major problems facing beef producers. In accordance with Senator Clark's recommendation, the President will soon be meeting with livestock producers to hear their concerns and to discuss ways that we can work more closely together to achieve our mutual goal: a healthy, profitable and stable livestock industry."

6633 ### USDA 1980-78

12:20 pm

THE WHITE HOUSE

WASHINGTON

July 24, 1978

TO GREET JOHN R. SIMPSON

Tuesday, July 25, 1978
12:20 p.m. (3 minutes)
The Oval Office

From: Hugh Carter HC

I. PURPOSE

To meet John Simpson

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: John Simpson will be replacing Dick Keiser as Special Agent In Charge of the Presidential Protective Division of the Secret Service.

John joined the Secret Service in 1962, and has been affiliated with the Protective Division since 1964. He has been the Deputy Assistant Director of the Office of Protective Operations since April 1977.

B. Participants: John R. Simpson
Stu Knight, Director of the USSS
Hugh Carter

C. Press Plan: White House Photographer

3728

THE WHITE HOUSE
WASHINGTON

7/25/78

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

PROPOSED 1979 BUDGET AMENDMENT

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
	✓	MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
✓		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 20, 1978

SIGNATURE

MEMORANDUM FOR: THE PRESIDENT

FROM: W. Bowman Cutter

SUBJECT: Proposed 1979 Budget Amendment

Attached for your approval is a proposed amendment to your 1979 appropriations request for ACTION in the amount of $4.7 million. This proposal would increase the 1979 request for the Retired Senior Volunteer Program to the level requested for 1978. ACTION would use this increase to maintain the 1978 program level while instituting program reforms designed to help assure that the volunteer projects undertaken through this program reach those most in need.

Most of the programs for the aging have been held at their current level for fiscal year 1979. The present minimum level budget request for the Retired Senior Volunteer Program has been criticized as too small by members of both Houses of Congress and by the public. This criticism may have helped move both Houses to authorize $23 million more than you proposed for ACTION's Older American Volunteer programs. The attached amendment may be one way to forestall a similar increase in appropriations, and to deflect arguments that the Administration is unsympathetic toward the aging. A fact sheet attached to this memorandum provides details of this proposal.

In our opinion this proposal is consistent with Administration objectives. The proposal has been reviewed by our staff and found to be advisable at this time.

RECOMMENDATION

That you sign the letter transmitting this request to the Congress. Transmittal at this time is recommended in order to allow for proper consideration by the Senate Appropriations Committee during its markup of the 1979 Labor-HEW appropriations bill.

Attachments

THE WHITE HOUSE

WASHINGTON

The President

of the Senate

Sir:

I ask the Congress to consider an amendment to the request for appropriations for the fiscal year 1979 in the amount of $4,700,000 for ACTION.

The details of this proposal are set forth in the enclosed letter from the Acting Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

Jimmy Carter

Enclosure

THE WHITE HOUSE
WASHINGTON
July 25, 1978

Stu Eizenstat
Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Joe Aragon

RE: UNDOCUMENTED WORKERS POLICY

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
✓		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

	✓	ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
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		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

4163

MEMORANDUM

J

THE WHITE HOUSE

WASHINGTON

July 20, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI ZB for
STU EIZENSTAT Stu

SUBJECT: Undocumented Workers Policy

We have learned from our Embassy in Mexico City that there is considerable confusion in Mexico about whether the United States is presently considering, or will ever consider, a temporary worker or bracero-type program. This confusion is due to two factors: wishful thinking by the Mexicans and support for the idea among some people in the State and Justice Departments and in the INS. One person told us that the Mexicans believe that everybody in the U.S. Government except the President supports some type of bracero program.

We do not believe that a bracero-type program is in U.S. interests, and fear that even examining the possibility of such a program would leak and send out the wrong signals. We recommend the opposite: that you instruct us to inform the relevant Department heads that we oppose a bracero or a temporary worker program and have no intention of considering it.

__✓__ APPROVE ______ DISAPPROVE

ID 783763

THE WHITE HOUSE

WASHINGTON

DATE: 24 JUL 78

FOR ACTION:

INFO ONLY: RICK HERNANDEZ JOE ARAGON

SUBJECT: EIZENSTAT BRZEZINSKI MEMO RE UNDOCUMENTED WORKERS POLICY

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: PLEASE CALL IF YOU HAVE CONCERNS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

	FOR STAFFING
/	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

Joe - Rick
call me if you
have comments.
Thanks

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
/	/	KRAFT Hernandez
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
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/	/	ARAGON
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		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE
WASHINGTON

July 25, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Please notify USDA and State.

Rick Hutcheson

cc: The Vice President
Frank Moore
Zbig Brzezinski
Jim McIntyre
Charlie Schultze

SUGAR POLICY

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

Stu - pls notify USDA & State

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
	✓	MOORE
		POWELL
		WATSON
		WEXLER
	✓	BRZEZINSKI
	✓	MCINTYRE
	✓	SCHULTZE

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		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE
WASHINGTON

7/25/78

Mr. President:

Congressional Liaison
concurs with Eizenstat
et al.

Rick

Stu

C

THE WHITE HOUSE

WASHINGTON

July 21, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
LYNN DAFT

SUBJECT: Sugar Policy

Following your meeting with Senator Long and other members of Congress on June 22, we have conducted a series of meetings with the relevant interests to see if we could identify a means of breaking the current deadlock over sugar policy. This memorandum updates an earlier report on this topic; it summarizes our findings and outlines the principal options.

Status of Current Program

The de la Garza loan program, which expires at the end of this year, has proven to be very cumbersome to administer. There are now about 1 million tons of 1977 crop sugar under CCC loan. At least half these loans will be redeemed this winter when they mature, assuming market price exceeds 14.3 cents.

The 1978 crop loan rate has been increased (by law) from the 13.5 cents for the 1977 crop to 14.65 cents, tentatively. To achieve the required minimum support level of 52.5 percent of parity mandated by law, this rate, based on July 1 data, may have to be increased to as much as 14.8 cents.

Given this higher level of support and the fact that world prices have been weak, we might have to increase import fees soon. Failure to do so could result in CCC take-over of large quantities of domestically produced sugar as users turn to lower priced imports to satisfy their requirements. Since the fees cannot exceed 50 percent of the value of the imported product, we may not be able to increase the fees enough to make up for the growing difference between the world price and the domestic support price. Both the Administration proposal and the other measures now before the Congress would eliminate this restriction. Secretary Bergland has solicited public comment on a revised proclamation and will be forwarding his recommendation to you within the next few days.

Legislative Situation

Hearings have been held before two committees: the Senate Finance Committee and the House Agriculture Committee. Congressman Vanik has agreed to introduce our bill and his Trade Subcommittee of the House Ways and Means Committee plans to hold hearings soon. The House Agriculture Committee plans to begin mark-up of the Church/de la Garza bill next Tuesday, July 25.

Overall, the Administration proposal has been well received by consumer groups, cane refiners, industrial users, and the press. It has generally been viewed as a positive step in our overall anti-inflation effort. Organized labor is interested and would likely be supportive if we strengthen the hired labor provisions. Domestic sugar producers and processors as well as corn sweetener interests are strongly opposed, as expected. The Congressional reception to our proposal by the members interested in this issue has been cool to cold, as predicted. We still have not found a sponsor in the Senate.

The Administration proposal, you will recall, would establish a market price of 13.5 cents per pound. It would do this through the use of import fees. A higher target price would also be established using the same cost of production formula used in the 1977 Farm Act for other major field crops. The target price this crop year would be 14.05 cents; next year it would be around 15 cents. As with the other farm programs, the difference between market price and target price would be made-up by the use of deficiency payments.

In contrast to these levels of support, the Church bill would set a floor of 17 cents this year and adjust it quarterly. We estimate this adjustment factor would push the support level above the International Sugar Agreement (ISA) maximum price of 21 cents by 1982. This price would be achieved through the combined use of quotas and fees.

It appears that neither our proposal nor the Church bill can be enacted in their present forms. The Church bill could probably win Senate approval with ease but its passage is doubtful in the House. And even if it passed both Houses, we can be almost certain that a veto could not be overriden. Thus, we are now at a stand-off. The question is should we try to break the deadlock? And if so, how?

Evaluation of the Options

There are at least three options: (1) continue to stand firm; (2) modify our earlier proposal; or (3) support an extension of the present de la Garza loan program. Estimated budget and consumer expenditure effects are shown in the attached table.

(1) Stand Firm. If we stand firm with our present position, the Senate will likely adopt the Church bill. Its passage in the House is not assured. Should it clear the Congress and be vetoed, as your advisors would strongly recommend, an override would be highly unlikely. Then there would be no new sugar legislation this session.

Should this occur, the International Sugar Agreement (ISA) would not be ratified, and the world sugar price would probably decline further, perhaps to 6 cents a pound. Since the de la Garza program expires after this year, there would be intense pressure from domestic sugar producers to take emergency action to support domestic prices. Under this circumstance, we could use existing authority to operate a direct payment program for the 1979 crop sugar identical to the one used for part of the 1977 crop. The major drawback is that we would be left with the present 50 percent limit on the use of import fees which could make it necessary to choose between increased imports and the use of quotas. Since imported sugar would be priced below the level needed to cause processors to pay off loans on 1977 and 1978 crop sugar, this could result in substantial quantities of sugar being taken over ty the Commodity Credit Corporation. And once we take over the sugar, there is a question as to whether it can be resold at less than 105 percent of the loan (in excess of 15.4 cents a pound).

(2) Modify Our Proposal. The original Administration proposal could be modified in a number of ways without sacrificing any of the key principles. First, the level at which market prices are supported could be increased from the 13.5 cents per pound we originally proposed to a higher level. Since the market price support for 1978 crop sugar under the de la Garza program will be about 14.8 cents this July, and processors will have to have a higher price to encourage redemption in late 1979, we could go to 15 cents without abandoning the anti-inflation argument. This would increase its acceptability to producers without losing consumer or sugar user support. Secondly, strengthened labor provisions could be linked to the cost of production formula in such a way that producers could be protected against the effects of escalating labor

costs in future years. This should lessen the criticism of opponents of the labor provisions and make it easier for labor interests to support our bill. Third, to eliminate the threat of a payment limitation, we might add a provision that would permit purchase and immediate resale. To further lessen criticism of the direct payment approach, we might establish import fees as the source of funds to be used in making payments. We might also consider making payments to sugar processors instead of sugar producers, with the payments to be passed through to producers. This will help lessen objections to payments and erode support for payment limits.

(3) Extend de la Garza. This option is receiving attention from those in search of a compromise, in part, because it is in place and could be easily achieved. In comparison with the Church bill, it would be harder to defeat legislatively since it provides a lower level of support and is therefore less inflationary and less inconsistent with the ISA.

Still, we have a number of very serious problems with this approach. It can and probably will entail Federal accumulation of sugar stocks and, if the loans are not redeemed, possible losses associated with disposal. The level of price support is based on the parity concept which bears little relevance to any meaningful measure of need.

Since it ties the level of price support to parity, domestic sugar prices would continue to escalate over time. This program has already increased domestic sugar prices by over 4 cents or about 45 percent over the nine months it has been in effect. Protection of this constantly rising price will require ever higher import barriers, as we are now discovering. In turn, this increased protection further depresses world prices, leading to a spiral of increased protection.

Tactically, we think the Administration still holds an advantage over the Congress. Though our proposal is viewed by producer interests as stingy and by some on the Hill as politically naive, elsewhere it is viewed as a responsible and fair approach that places the general welfare above that of a special interest that is accustomed to getting its way. The Church proposal, by contrast, is seen by non-producer interests as an excessively extravagant means of dealing with the problem. In this regard, it is seen to be much like the Dole farm bill. However, if Church et al. modify their proposal to make it more reasonable or if they shift their support to an extension of the de la Garza program, the Administration could lose the tactical advantage it now holds.

On the basis of the talks we have just conducted, it does not appear that producer interests are willing to back-off their earlier positions on either the level of support (17 cents) or their opposition to a direct payments approach.

Recommendation

Your advisors are unanimous in recommending that we modify our original proposal along the lines of Option 2. However, in doing so we must make it very clear that we will do our utmost to avoid any further changes.

Decision

_________ (1) Stand firm.

____✓____ (2) Modify earlier proposal (recommended) State, CEA, DOA, OMB, DPS

_________ (3) Extend de la Garza.

Do this only if we get commitments from some of the key sugar interests. Long & others will simply absorb our new proposal & negotiate from there for a new compromise

J

ESTIMATED BUDGET AND INFLATIONARY EFFECTS OF SUGAR POLICY OPTIONS

BUDGET EFFECTS 1/	(million dollars) 1978/79	1979/80	1980/81	1981/82	1982/83
Administration Proposal					
-receipts	603	627	636	561	401
-outlays	132	134	227	313	410
-net receipt	571	493	409	248	-9
Modified Admin. Proposal					
-receipts	730	720	700	610	460
-outlays	-	-	72	168	252
-net receipt	730	720	628	442	208
Church Bill					
-receipts	951	924	873	823	701
-outlays	-	-	-	-	-
Current Program					
-receipts	697	907	1,034	1,183	1,180
-outlays	-	-	-	-	-

CONSUMER 2/ EXPENDITURE EFFECTS	1978/79	1979/80	1980/81	1981/82	1982/83
Administration Proposal	-341	-672	-1,017	-1,386	-1,810
Modified Admin. Proposal	-	-180	-480	-780	-1,110
Church Bill	+851	+911	+960	+1,115	+1,170
Current Program	-	-	-	-	-

1/ Assumes favorable weather

2/ Relative to continuation of current program

ID 783805

THE WHITE HOUSE

WASHINGTON

DATE: 24 JUL 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

JERRY RAFSHOON

HAMILTON JORDAN

JACK WATSON NC

ZBIG BRZEZINSKI

SUBJECT: EIZENSTAT MEMO RE SUGAR POLICY

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: +

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: CALL IF YOU WISH TO COMMENT, IMMEDIATE TURNAROUND

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

/	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
/	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

To Pres Tuesday AM —
Call if you wish to comment

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
	/	VICE PRESIDENT
/		EIZENSTAT
	/	JORDAN
		KRAFT
		LIPSHUTZ
/		MOORE
	/	POWELL
	/	WATSON
	/	WEXLER
	/	BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
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		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
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		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
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		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

8:00 AM

THE WHITE HOUSE

WASHINGTON

July 24, 1978

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, July 25, 1978
8:00 a.m.
Family Dining Room

From: Frank Moore FM/pd

I. PRESS PLAN

White House Photo Only

II. PARTICIPANTS

See Attached List

III. AGENDA

1. Civil Service Reform. You should ask the advice of the House Leadership as to how to best proceed in order to remove the Hatch Act from the final bill and to correct the Spellman amendment on Senior Executive Service. You should ask Senator Byrd how we should proceed in order to get some movement in the Senate.

2. Airline Deregulation. We believe that we have worked out our problems with the House Rules Committee and anticipate a vote in the committee possibly by tomorrow (Tuesday). You need to urge the Speaker to schedule floor action as soon as possible.

3. Security Assistance. I recommend that you state directly to Senator Byrd your concerns over the Helms' amendment on Rhodesia. In addition, I think it would be good if either before or just after the breakfast, you could talk to the Speaker and Jim Wright separately and try to secure their support. I don't believe the Speaker will commit yet but we believe that Wright is ready. See attached addendum on Korea and Taiwan.

4. Tax Bill. You should simply re-state your position.

5. Hospital Cost Containment. You should ask Dan Rostenkowski when he plans to move on this bill stressing the fact that you consider this a very important issue and that you very much want that bill.

You should ask Senator Byrd for his help with the Senate Finance Committee in getting the Nelson compromise through. We have not determined if we want the Nelson compromise adopted in Committee or if we should wait until the bill comes to the floor -- the key is whether the Republicans will filibuster the bill in committee if the Nelson compromise is attached.

6. 1978 Campaigns

a. You should mention that you have reviewed your travel plans for the remainder of the year and they will be extensive.

b. You should mention that you have sent a letter to the Cabinet and discussed your interest in this with them at yesterday's Cabinet meeting. You have asked them to make 4-5 days each month available. Frank Moore's staff will be meeting with their schedulers to work out the appearances.

c. The number of appearances by Administration officials is now 470.

d. Frank Moore and Tim Kraft are coordinating with Senator Ford and Congressman Corman. They meet this Thursday for a campaign breakfast.

e. DNC is gearing up their plans to assist candidates. You should ask John White if he wishes to comment.

7. Supplemental Fiscal Assistance. Democrats on the Intergovernmental Relations Committee (L.H. Fountain) are caucusing today. The Speaker should be urged to push Fountain to schedule a mark-up as soon as possible.

PARTICIPANTS

PARTICIPANTS

The Vice President
Majority Leader Byrd
Senator Cranston
Senator Eastland
Speaker O'Neill
Cong. Wright
Cong. Foley
Cong. Brademas
Cong. Rostenkowski
Cong. Chisholm

Jim McIntyre
Stu Eizenstat
Jody Powell
Jerry Rafshoon
Frank Moore
Bill Cable
Jim Free
Bob Beckel
Dan Tate
Bob Thomson
Les Francis
Bill Smith

KOREA/TAIWAN

ADDENDUM TO TALKING POINTS FOR LEADERSHIP BREAKFAST

Security Assistance Bill

1. Korean Troop Withdrawal

Senator Percy's amendment to the Mutual Security Act expressed concern that your ground troop withdrawal plan will harm Korean security and prospects for peace in Asia. On July 20 you sent letters to Senator Byrd and Speaker O'Neill expressing your willingness to implement the withdrawal program flexibly and in close consultation with Congress and our Allies.

It would be useful if you could mention to the Leadership that you plan to share with Congress the results of reviews of the impact of our plans, the force balance, and the international environment in connection with further ground force withdrawals from Korea. Meanwhile, you need the necessary authority to begin equipment transfers and training operations to safeguard the military balance on the peninsula.

2. Relations with China/Taiwan

Senator Dole and others will probably be offering another amendment dealing with our future relations with Taiwan and linking any change in our security interests with Taiwan to those of Korea and Japan.

In response, you could point out that of course we plan to consult with Congress about any changes in our relationship with Taiwan. We are troubled, however, about the linking of Taiwan's security interests with those of Korea and Japan. This has never been agreed to by our Allies and would clearly be unsettling to them. As far as normalization is concerned, you can assure the Members that whenever it comes, it will not be done at the expense of the well-being of the people of Taiwan.

ATTACHMENT

ADDENDUM TO TALKING POINTS
FOR LEADERSHIP BREAKFAST

The Greek Cypriots have countered the recent Turkish Cypriot offer with one of their own: 1) to turn Verosha over to the UN; 2) to have the UN resettle refugees in Verosha; 3) to be followed by intercommunal talks -- thereby altering the sequence of the Turkish Cypriot offer but achieving essentially the same results.

You can point out that this is the first time in three years that there has been some movement on the issue. It is now essential that we keep up the momentum.

Senator Byrd has played a constructive role in the process by focusing attention on the need to lift the embargo.

It would be a serious blow, to what now appears to be a new willingness to negotiate, for the US Congress to retain what is clearly obsolete policy. It really is now up to Congress to keep the process moving by lifting the embargo.

STATE DEPARTMENT

STATEMENT TO THE PRESS

The Government of Cyprus today made a new proposal looking to the early resumption of Cyprus intercommunal negotiations under Secretary General of the United Nations.

Like the Turkish Cypriot proposal of last week, the Greek Cypriot proposal relates initially to the return of Greek Cypriot refugees to the important city of Famagusta (Varosha). Under the proposal, all Turkish troops would be withdrawn from the city, which would be placed under the security control of the United Nations for a period of time, and the inhabitants of the city would be permitted to return.

The Greek Cypriot side indicated that once the inhabitants begin returning to their homes, it would immediately be ready to resume UN-sponsored negotiations with the Turkish Cypriots.

We welcome this proposal as a positive development. Although the Greek Cypriot proposal appears to differ in certain respects from the Turkish Cypriot proposal of July 20, we believe that a solid basis now exists for discussions regarding the important humanitarian problem relating to Varosha, and thereafter for resuming the Cyprus intercommunal talks.

The two proposals on Varosha buttress our hope that the two sides are now willing to negotiate in earnest. We urge that the proposals be given careful consideration by the parties and that, with the help of the United Nations, the inhabitants of Varosha will be permitted to return to their city and the Cyprus negotiations will be resumed.

BC

DICTATED BY THE CYPRIOT AMBASSADOR OVER THE TELEPHONE,
July 24, 1978

The Government of the Republic of Cyprus wishes to reaffirm its readiness and willingness to take part in negotiations under the aegis and guidance of the Secretary General of the United Nations, Dr. Waldheim, in search for a just and viable solution to the Cyprus problem, in accordance with relevant resolutions of the UN. As it is well known numerous rounds of intercommunal talks have produced no results due to the Turkish intransigence and insistence on a partitionist solution, culminating with the recent totally unacceptable proposals which made the resumption of the talks impossible.

The Greek Cypriot side, in its earnest desire to seek a prompt, just and lasting solution, has in the past exerted many efforts and in this same spirit the following proposal is put forward:

All Turkish troops to withdraw from Famagusta and the town to be free from Turkish occupation so that all the inhabitants of Famagusta return to their homes and properties. The town of Famagusta will be under the policing and security control of the United Nations, for a period of time.

As soon as this proposal is accepted by the Turkish side and the town is free and put under the policing and security control of the United Nations, as stated above, and the lawful inhabitants of Famagusta begin to return to their homes, the Greek Cypriot side will be immediately ready for negotiations with an open agenda under the aegis and guidance of the Secretary General of the United Nations with a view to seeking a solution conforming with the resolutions of the United Nations and the declaration and covenant of human rights.

It is hoped that the Turkish side will respond to this proposal in a positive way.

The present proposal is being submitted officially to the Secretary General of the United Nations and communicated to all the members of the Security Council.

THE WHITE HOUSE
WASHINGTON
JULY 25, 1978

Tim Kraft
Jim Gammill

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

LEGAL SERVICES CORP

		FOR STAFFING
		FOR INFORMATION
✓		FROM PRESIDENT'S OUTBOX
		LOG IN/TO PRESIDENT TODAY
		IMMEDIATE TURNAROUND
		NO DEADLINE
		LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
✓		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
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		FIRST LADY
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		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

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THE WHITE HOUSE

WASHINGTON

July 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT
JIM GAMMILL Jim G

SUBJECT: Legal Services Corporation
Board of Directors

One of the candidates which you previously approved for the Legal Services Board is unable to serve.

The National Clients Council and Legal Services of Kansas have found another female client. She is acceptable to Bill Roy and other Democrats there.

Romona Shump is employed by the Kansas Department of Human Resources. She has been active in community affairs, particularly tenants' problems. She is familiar with the issues of legal services clients.

RECOMMENDATION:

Nominate Romona Shump as a member of the Board of Directors of the Legal Services Corporation.

✓ approve ______ disapprove

J

ROMONA SHUMP

913-233-2068 (H)
296-3267 (O)

Work Experience

1971- 1978	Department of Human Resources, Division of Employment, Topeka WIN Program, a job placement service for Aid to Dependent Children
1965-1966	Community Services Office, Outreach Worker
1964	Oakland Urban Renewal Agency, Interviewer

Community Activities

1975-1976	Member of Mayor's Advisory Board; responsible for monitoring federal funds for training, specifically Jobs For Progres and OIC funds
	Member of Information Coalition of Community Resources Council (Coalition of Social Services Agency)
1974-1975	President of City Wide Tenants' Association of Topeka Housing. Organizer and Plaintiff against Housing Authority in a class action suit entitled: Shump, et al v. Balka, et al. The suit was successful.
	She is currently eligible for Legal Services. Has been a client of Legal Aid Society, now known as Legal Services of Kansas.
1972-1973	Organizer and President of Western Tenants' Association, part of Topeka Housing.
1964- 1965	President of local PTA
1963	First tenant in Topeka Housing Authority

Education

1965	Attended Washburn University, Topeka, Kansas
1952	High School Certificate, Topeka Kansas High

Personal

Ms. Shump was born August 21, 1934, has six children and was divorced in 1964. She is an unaffiliated independent. Ms. Shump speaks Spanish fluently and is involved in Mexican-American community affairs.

200 mpy - Consum relief
good 2-3 yrs. Counter cycle
still kept quotas 72-3-74 - no price
Controls - no > imports '78
<8 - 82 mil #/yr ↓ Pres auth
processed

cattle meeting 7/25/78

THE WHITE HOUSE
WASHINGTON

7-25-78

Susan / Phil

Set up giving Presidential Freedom Medal to Arthur Goldberg tomorrow - Work out ceremony with Cy Vance

J

cc: Jody Powell
Jerry Rafshoon

THE WHITE HOUSE

WASHINGTON

July 25, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: VALERIE PINSON VFP

THROUGH: FRANK MOORE F.M./BR

SUBJECT: PUSH Meeting

On Monday, I went to Kansas City to meet with Jesse Jackson and Dick Hatcher at the PUSH National Convention. Both Jesse and Dick were very pleased with the PUSH Board Meeting last week and were particularly impressed with your sensitivity toward the Andy Young situation and the minority procurement monitoring program.

Rev. Jackson had a press conference Monday afternoon at which he was very supportive of you and your Administration. I am sending Stu a memo relating to what needs to be done to follow through on both meetings.

Rev. Jackson would very much like to meet with you alone sometime in the future to discuss politics and programs further.

6:30 PM

THE WHITE HOUSE

WASHINGTON

July 25, 1978

C

DINNER WITH SENATOR AND MRS. RUSSELL LONG

Tuesday, July 25, 1978
6:30 p.m. (duration)
Residence

From: Frank Moore F.M./bd

I. PURPOSE

To discuss matters of mutual concern in a casual atmosphere.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: As Chairman of the Senate Finance Committee, Russell Long has tremendous influence over several major Administration initiatives. He is prepared to help us with hospital cost containment, energy, and taxes, but he wants us to show some sympathy for his views on sugar, waterway user fees, and employee stock ownership plans (ESOPs).

Committees: Commerce, Science and Transportation (3)
Subcommittees: Science and Space
Merchant Marine and Tourism
Surface Transportation (Chrmn)

Finance (Chrmn)
Subcommittees: Administration of the Internal Revenue Code
Tourism and Sugar
Public Assistance

Joint Committee on Taxation (Chrmn)

Wife: Carolyn

B. Participants: The President
Rosalynn Carter
Senator Russell B. Long
Carolyn Long

C. Press Plan: White House Photo.

III. TALKING POINTS

A. Hospital Cost Containment: Last Friday, the Senate Finance Committee tentatively adopted the Talmadge approach to hospital cost containment which applies only to medicare and medicaid; and which would save the federal government from \$8-\$10 billion over the next 5 years. Our original hospital cost containment proposal, which was in large part adopted by the Human Resources Committee under the sponsorship of Senator Edward Kennedy, applies to all 3rd party payors, imposes strict annual percentage limitations on hospital cost increases, and would save the government and the private sector between \$50-\$60 billion during the next 5 years. On Thursday, the Finance Committee will meet again to formally order the Talmadge bill reported.

Senator Gaylord Nelson is prepared to offer a substitute for the Talmadge approach. The Nelson proposal, which was developed by HEW, would apply Talmadge-type controls on all 3rd party payors and would save \$30 billion over the next 5 years (\$8-\$10 billion of which would be savings to the federal government). We believe that Senator Long is sympathetic to the Nelson approach, but is concerned that its adoption will precipitate a filibuster by the Committee Republicans. Senator Talmadge shares Long's fear that such an effort by the Republicans would genuinely threaten the chances of our getting a hospital cost containment bill this year. However, at the appropriate time, Senator Talmadge is prepared to accept the Nelson amendment. We feel that this is Senator Long's view as well.

Therefore, you will want to get a commitment from Senator Long to support the Nelson amendment actively and to use his best judgment on the question of proceeding with the amendment in Committee or waiting until the bill reaches the Senate floor. Having the amendment included by the Committee would be advantageous to us. (Attached is a one-page summary of the Nelson amendment.)

One further point should be clarified: We believe that the issue of the wage pass-through is not something we should live or dies over -- even though the Nelson amendment provides for the wage pass-through. Talmadge feels quite strongly that such a pass-through is inadvisable.

B. Energy

1. Natural Gas: We have varying reports regarding Senator Long's position on the natural gas conference report. He told Stu Eizenstat and me last week that he had not made up his mind and had reservations about the compromise, quickly adding that not having his support at this time would probably be helpful to us in lining up some liberal votes. He said he "guessed" he would ultimately support the gas bill. On the other hand,

he indicated to Bennett Johnston that he would support the conference report. We have asked Senator Johnston to check again with Long. You will want to pursue this matter with the Senator as well since we can neither break the filibuster nor pass the conference report without his support. If he will support the bill, the timing of his announcement should be left to his judgment.

2. Oil Import Fees: Senator Long still believes that you should impose oil import fees or quotas if you believe such action is necessary. He repeatedly warns us, however, that we must be able to sustain a Presidential veto of legislation to strip you of your authority. He will support any such administrative action you take. However, you should seek his advice as to the strategy you should employ and the goals which we can realistically hope to accomplish. We continue to believe that you should not consider administrative action before the elections.

3. Energy Taxes: Senator Long does not intend to have the energy tax conference get down to serious business until after the natural gas conference report is disposed of. We reluctantly concur in his judgment since adoption of the crude oil equalization tax or the user tax could jeopardize some votes we badly need on natural gas. Perhaps your major objective with Senator Long this evening should be to get a reaffirmation of his support for COET and his active involvement in winning its passage. We are looking at alternatives to COET, but strongly believe that no mention of this should be made to Senator Long. Long is pessimistic that he can get the necessary votes for COET in the Senate, but we should encourage him to keep trying. He prefers decontrol and an excess profits tax, an approach which has growing support in DOE and with Stu's staff. If tied to a severance tax, Long's approach would pick up Congressional support. Again, however, we urge no commitment by you at this time -- however, it should not be rejected if he mentions it. (See attached *Washington Post* editorial.)

C. Tax Reform/Reduction: It is probably too early to talk specifics of tax reform with the Senator since the Ways and Means Committee has not completed its action. One exception is capital gains tax treatment which Stu and I discussed with Long last week. Long is talking about a form of indexing for capital gains, an approach which Stu believes might be acceptable to us. (Long's indexing would apply only to that portion of capital gains covered by the minimum tax, not the protion taxed at the 25% rate. See the attached memo for details of related capital gains issues.)

Perhaps you will want to confine yourself to (1) trying to extract from Long a commitment to get a good tax reform/reduction bill on your desk by the time Congress adjourns and (2) not let the Senator get any mistaken impression about how seriously you view the Ways and Means Committee's dismantling of your reform proposals.

D. Sugar: A decision memorandum recommending a compromise went in to you last evening. Basically it involves modifying our previous proposal so that, through slightly increased import fees and target prices, a market price of 15¢ can be achieved. This will not be satisfactory to Long whose Louisiana sugar cane growers have the highest cost of production in the United States. He is pushing for a market price of 17¢ but, in our judgment, would ultimately accept something in the neighborhood of 16¢ in the final bill. Stu believes that we can reach agreement with Long on a bottom line market price. For the time being, however, you should merely indicate that you realize the Senator has special problems and your staff is trying to deal with his situation without totally sacrificing our anti-inflation goals.

E. Waterway User Fees: As you know, Brock Adams has been negotiating with Long, Domenici, and Stevenson on this issue. We believe that we are close to reaching an agreement. The major sticking point continues to be cost recovery for future projects. Brock is satisfied that the establishment of a trust fund represents cost recovery, but Stu has reached no final decision in this regard. We believe that the issue can be resolved satisfactorily. Unfortunately, the waterway user fees question is tied to an authorization bill for scores of water projects, some of which will have to be deleted if Congress is going to put together an acceptable bill.

F. ESOP's: See attached memorandum.

COST CONTAINMENT PROVISIONS OF S. 1470: OUTLINE OF NELSON PROPOSAL

Summary

1. Overview; cost savings -- The proposed compromise amendment combines the basic Talmadge approach to hospital cost containment with statutory recognition of the need for and importance of the hospital industry's voluntary cost containment effort, backed up by interim controls which would be triggered if the voluntary effort fails. HEW estimates that this proposal could save $28 to $30 billion over the next five years, as compared with $50 to $60 billion for the Human Resources Committee bill. Of that $28 to $30 billion, approximately $8 to $10 billion would be saved by the government, the rest in the private sector. The Talmadge bill, as revised by the June 15 staff memo, would save approximately $8-10 billion, for the government only, over the same time period.

2. Timing of Voluntary Trigger -- The voluntary trigger would be the same as in the Ways & Means Health Subcommittee bill-- that is, the rate of increase in total hospital expenditures would have to be reduced by 2% this calendar year and by 2% in calendar year 1979, and the 1979 rate would be the maximum allowable thereafter.

In order to coordinate effective dates with the basic Talmadge approach, if the voluntary goal is not met this year, the control would go into effect on July 1, 1979, the same date Medicare and Medicaid routine cost controls would go into effect. If the voluntary program failed in 1979 or in subsequent years, the overall limit would go into effect on January 1, 1980, or on January 1 of the year following the year in which it failed. The key is that whenever the voluntary program failed, the Talmadge approach then being used for medicare and medicaid would be expanded to all hospital costs, ancillary as well as routine. Under the standby controls, the maximum allowable revenue increase would be limited, based on the total cost increase in the marketbasket of goods purchased by hospitals.

3. Wage pass-through -- Under the proposed amendment, the wages of non-supervisory workers would be protected in the event standby controls are invoked. Hospitals would be permitted to pass through wage increases for such workers, in the same fashion as under the Human Resources Committee bill. This differs from the Talmadge approach, which would pass through increases in the wages of non-supervisory employees only to the extent necessary to bring those wages up to the level of comparable jobs in the community.

4. State Programs -- Hospitals in states with cost containment programs which meet or exceed the federal goals would be exempted from the mandatory federal program. (Hospitals with fewer than 4,000 admissions per year would also be exempted from the standby controls.)

The Washington Post

AN INDEPENDENT NEWSPAPER

To Rescue the Energy Plan

WITH THE PROMISES that he gave in Bonn, President Carter has changed the politics of oil and energy. One crucial part of his energy program, from the beginning, has been to raise U.S. domestic oil prices to the world level, ending the present enormous subsidy to imports. Until now, Mr. Carter has been urging Congress to push the price up with a tax on domestic crude oil. But Congress refuses. Mr. Carter's crude oil equalization tax bill is a dead duck. It hasn't been passed, and it won't be. But a week ago Mr. Carter told the other major industrial nations in Bonn that he was still determined to bring oil imports under con ol and get the U.S. price up. How is he o do it?

One possibility is a tariff. Another is an import quota. The president could impose either, without Congress's help, under his emergency powers. But both tariffs and quotas for oil are dangerously bad ideas. Either would set an evil precedent in world trade. Either would be extremely difficult to administer, with infinite possibilities for favoritism and manipulation.

There's a much better and more direct way to do it. U.S. prices are currently held down by mandatory price controls set by law. But by next May, those controls cease to be mandatory. The president can then set them wherever he chooses. We suggest that—after the election, perhaps at the beginning of the next Congress—Mr. Carter announce he is gradually going to take the price controls off crude oil, over a two-year period.

Decontrolling c ude oil would raise prices of oil products about a nickel a gallon. The total revenue would be about $15 billion a year. That brings us to the second half of our suggestion. President Carter ought, at the same time, to ask Cong ess to enact a simple severance tax—a flat amount on each barrel, paid by the producer—to scoop up most or all of that $15 billion a year and send it to the U.S. Treasury.

Mr. Carter's original crude-oil tax would have put Congress in the position of voting a tax that would raise the price, and it was a position that not many people in Congress cared to occupy. The president would do better to raise the prices himself by lifting controls. Congress then gets the much more congenial job of rushing to the public's protection with the tax that will keep that $15 billion a year from flowing to the oil producers. How big a severance tax? Foreign oil is now entering this country at about $14.50 a barrel. New oil production in this count y is controlled at about $12 a barrel. The severance tax would be as much of that $2.50 difference as Congress thought the public ought to recapture. There would have to be a higher tax on the pre-1972 oil production, since it is now controlled at a much lower figure. But with hat single exception, there would be no variations.

There would be none of the rebates, energy trust funds or production subsidies with which the administration has tried to fan up congressional interest in its original tax bill. There would be none of the dubious dispensations and murky distinctions that are rapidly eating their way, like termites, into the present regulatory structure—the breaks for small refiners, for Caribbean refineries, for certain recovery methods, for small wells, for Alaskan oil, and so forth. The present system is becoming increasingly irrational and unmanageable. It is only a matter of time until major enforcement breakdowns, and perhaps scandal, overwhelm it. It can't be remedied as long as the government keeps trying to maintain several widely differing prices for the same oil.

To come back to the basic question, why ra se oil prices a nickel a gallon? Because even small increases make people more careful in using the stuff. Because it s absurd to hold prices down artificially, when Mr. Carter and most other Americans think that the country uses too much oil. If decontrolling oil created social inequities, they would be minor compared with the gross inequities imposed by the general inflation that, as Mr. Carter accurately observed in his press conference Thursday, is being aggravated by the outflow of dollars for foreign oil. Congress won't swallow Mr. Carte 's original oil-tax plan. But, as we suggest, there's a better and simpler way to get from here to there.

THE WHITE HOUSE
WASHINGTON

Mr. President:

The items mentioned in the latter part of this briefing paper (sugar, waterway user fees, and ESOPs) are matters of vital interest to Senator Long. Sugar and waterway user fees are parochial and ESOPs is personal. I cannot over emphasize Long's interest in resolving these issues. He often refers to the need for him to "save face" on these issues. Additionally, these matters are ones in which he expects "reciprocity" for walking the plank for us.

THE WHITE HOUSE

WASHINGTON

July 25, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
BOB GINSBURG

SUBJECT: Briefing Material for your Dinner with Senator and Mrs. Long (ESOPs)

Current Law

Under present law (sponsored by Senator Long) an employer is allowed an extra 1 percent tax credit against its purchase of new equipment if it contributes the dollars saved to an employee stock ownership plan (ESOP) to acquire company stock. In effect, this permits the company to take an 11 percent investment tax credit.

Treasury has expressed the following concerns with the existing ESOP law:

(1) Unlike a profit-sharing or pension plan in which the company only gets a deduction for its contributions (the deduction being worth 48¢ on the dollar for a corporation paying the maximum rate), the company gets a credit of 100¢ on the dollar for contributions to ESOPs. This means that the stock is contributed to the plan at no cost to the employer, with the entire cost being borne by the taxpayers generally. The current revenue cost of ESOPs is approximately $440 million per year.

(2) Employees can receive a proportionate interest in the stock in relation to their salaries. This means that top-salaried executives benefit much more in absolute terms than rank and file workers. If the purpose is to spread stock ownership broadly among employees, it is difficult to understand why this kind of allocation formula should be used.

(3) Even though the ESOP is without cost to the employer, it may use these employee benefits to replace other compensation that the employees might receive.

(4) ESOPs favor capital intensive industries (such as utilities, oil, and communications), which are the primary users of the investment tax credit.

Senator Long's Proposal

Under Senator Long's proposal, the 1 percent tax credit provision would be increased to 2 percent and the employer would have the option of using either the investment tax credit approach or the alternative of a credit equal to 1 percent of employee payroll.

Treasury testified last week on the Senator's proposal and raised the concerns set out above. The Senator was clearly disappointed with the Treasury testimony and was somewhat hostile. Treasury did indicate, however, that the use of payroll as opposed to investment in new equipment is a fairer, preferable approach to ESOPs since it broadens the base of stock ownership. The problem with this approach is that it is extremely costly. The Senator's overall proposal would cost $2.3 billion in 1979 and $5 billion by 1982, most of which would be accounted for by use of the payroll approach.

You could be supportive of the concept of broadened stock ownership but noncommital as to the details. You might indicate to the Senator that the payroll approach to ESOPs appears to have considerable merit (particularly if substituted for the investment credit approach instead of just being added as an option). The major difficulty in the area is the very heavy budget cost. We are planning for business tax reductions in the Administration's tax bill of about $5 billion, and additional funding for ESOPs would have to come out of this $5 billion. You might indicate that you will be glad to instruct Treasury to work with the Senator on the payroll approach with the view toward keeping the budgetary cost modest (so as not to force us to cut back on the corporate rate reductions we have proposed).

THE WHITE HOUSE

WASHINGTON

July 25, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
BOB GINSBURG Stu

SUBJECT: Briefing Material for your Dinner with Senator and Mrs. Long (Capital Gains Taxation)

1. Steiger Proposal

You should reiterate your very strong opposition to this proposal. As you know, the Steiger proposal will cost approximately $2.4 billion and almost all the revenue lost will go to the wealthiest 1 percent of the taxpayers in the country. Any tax proposal which will cost over $2 billion, and from which 99 percent of the taxpayers in the country will get absolutely nothing, bears a heavy burden of proof that it is absolutely essential -- and the Steiger proposal completely fails that test.

Only 30 percent of the tax reductions would actually go into the equity security area (over 70 percent goes to real estate, commodity speculation, etc.). Most businessmen and economists would agree that the direct business tax reductions proposed by the Administration would be much more efficient in creating new plant and equipment. The claim that the Steiger proposal would actually create more federal tax revenues is based on extremely unrealistic assumptions and sheer conjecture -- there is no free lunch here.

2. The Jones Proposal

Like Steiger, the Jones proposal would repeal the minimum tax on capital gains, at a cost of $1.3 billion. (Steiger would go even further by taking the maximum tax on capital gains all the way down to 25 percent.) As with Steiger, 99 percent of the taxpayers would get absolutely nothing from this proposal.

Under both Steiger and Jones, some of the wealthiest citizens in the country would be taken completely off the tax rolls. For example, Treasury testified on some specific cases last week: in one of them, the taxpayer had over $1.6 million in capital gains and, under current law, would pay the very small amount of $93,000 in taxes; but under Steiger and Jones, this taxpayer would actually get a $133 refund.

3. Minimum Tax

You should indicate to the Senator your very strong view that the minimum tax is a concept which is basic to the fairness of our overall tax system and should not be diluted. (The Senator has traditionally been sympathetic to the notion that the rich should not be able to get away with paying little or no tax.) There are other means of reducing capital gains taxation which do not impair this fundamental concept.

4. Alternative Methods of Capital Gains Relief

You should indicate that you would not necessarily be adverse to some capital gains reductions if they were more consistent with the principles generally espoused by the Democratic Party. For example, you would be interested in working with the Senator on capital gains proposals which:

a) would not dismantle the minimum tax;
b) would lose substantially less revenue than Jones;
c) would provide relief far more equitably among income classes;
d) would provide relief for homeowners; and
e) would target more effectively on the formation of productive capital, e.g., Treasury and some of the liberal members of the Ways and Means Committee have been discussing a provision which would provide a tax credit equal to 10% of the capital gains on all new equity issues after January 1, 1979.

Treasury has developed a number of proposals which would meet these requirements.

5. Inflation Indexing for Capital Gains

The Senator has recently indicated some interest in inflation indexing for capital gains, perhaps as a way of avoiding a confrontation between the Congress and you on the capital gains issue. You should indicate that the issue of inflation indexing is (a) extremely complex as a technical matter and (b) raises fundamental questions as to whether the entire tax system should be indexed. This matter deserves thorough study and review and Treasury will consider his options.

C

THE WHITE HOUSE

WASHINGTON

July 25, 1978

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE F.M.
BOB THOMSON Bob

SUBJECT: ALASKA LANDS - STATUS

It is becoming less likely the Senate will act on a favorable Alaska lands bill this year. Senator Gravel has declared he will exhaust all of his energies to prevent floor action. Senator Stevens has been talking compromise to the disgust of the Alaska press, but his bottom line is still far from our position. Chairman Jackson is wavering, somewhat. Senator Byrd is still an unknown factor, but we believe he will not schedule a bill if both Alaska Senators oppose it and if any of the energy bills are still on the calendar. The Senate as a whole is moving slightly closer to Stevens' position - especially the moderate Republicans and border state/western Democrats. It is clear that serious consideration of contingency plans in case no bill passes must be accelerated.

I. SENATOR GRAVEL

The Senator believes his position will be much stronger next year. Consequently, he will do everything he can to prevent the bill from being scheduled. His vocal tirades have angered the leadership and his colleagues, but he is becoming a folk hero in Alaska. (See attached press.) However, the Senator's bottom line, if known in Alaska, would be widely criticized. He is willing to have substantial acreage in protected status, but he proposes land use planning in major portions by a Federal Commission appointed by the Governor and the President. As currently proposed, the Commission would have a Presidentially-appointed majority.

The Senator is not willing to compromise; he says the time for that has passed. He complains he was "written off" by Secretary Andrus at the beginning of this year when compromise was still possible. However, we suspect he recognized quite early that this issue, if played "correctly", could give him the solid political base in Alaska that he has always lacked.

II. SENATOR STEVENS

Senator Stevens wants legislation this year and has been genuinely talking compromise. He has been roasted for this in Alaska (see attached press). He has requested a meeting with you to discuss his latest proposal and has won sympathy from Chairman Jackson because of his rational approach.

The Senator's latest proposal would protect 80 million acres compared to 92 million in our bill and 123 million in H.R. 39. Unfortunately, the protection contemplated is inadequate. Included in the 80 million acres would be an 18-million acre nucleus of national parks with multiple use buffer zones extending approximately out to H.R. 39 boundaries. All wildlife refuges in H.R. 39 would become national forests under the Stevens' proposal.

Also, Stevens would put substantial land in BLM multiple use conservation areas where the manager of the unit would have the power to issue licenses for development. Although his proposal currently has no wilderness areas, Stevens has indicated privately to us that he will accept some acreage in wilderness.

III. CHAIRMAN JACKSON AND COMMITTEE ACTION

Senator Jackson and the majority of his Committee are in the mood for compromise. Yesterday's vote denying wilderness protection to the Arctic Wildlife Refuge was expected, but the 12 to 7 margin was larger than expected. Our most vocal allies on the Committee are Senators Durkin and Metzenbaum, with Durkin taking the lead. The Chairman has allowed Stevens to sit in on the hearings, and he talks more than any of the members. With the exception of Hatfield and Domenici, the Republicans follow Stevens. Durkin holds proxies from Haskell and Anderson most of the time, while the rest of the Democrats follow the Chairman. Melcher strikes an independent course where mining is involved. The realities are that we cannot win a committee vote without the Chairman.

Senator Jackson's position is in a state of flux. He may be willing to give Stevens more than we can accept. Secretary Andrus is calling him today to try to find out where he is heading and to shore him up a bit. This could be serious, since we do not want to oppose the bill that eventually emerges from Committee after urging the Senate to act for all these months.

IV. THE SENATE

Our position has eroded somewhat in the Senate. Many Senators from western and border states see H.R. 39 as an extremist bill. Senator Cannon is a leader of that group. Many Republicans are lining up behind Stevens. He has been trading votes on this issue for over a year (e.g., Mathias on Civil Service reform). Senator Baker will be troublesome if Stevens decides to join the Gravel filibuster.

V. CONTINGENCY PLANNING

Secretary Andrus and Stu Eizenstat are already heavily involved in planning what the Administration should do if the Congress passes no bill this year. We have two recommendations:

1. If we are going to seek an extension of the d(2) time deadline, the provision should extend current protection authority until the Congress acts otherwise. This will shift the burden of inaction to those most likely to use delay as a weapon with a date certain extension.

2. You should meet with Senators Gravel and Stevens this week. There is a slim possibility Stevens will move somewhat further toward our position. More importantly, we must be able to say we considered the views of the two Alaska Senators in the event Secretary Andrus "freezes" the acreage under Section 603 of the Act as he has threatened to do. As noted above, Stevens has requested a meeting. A scheduling proposal was submitted today.

Senator Jackson has vowed to complete mark-up of the bill by the end of the week.

VI. OUTLOOK

As indicated above, our situation in the Senate is slightly worse than it was, but we can still pass a strong bill on the Senate floor if the Committee reports out a strong bill and if the filibuster problem disappears.

ATTACHMENT

Gravel's Strategy Is Our Choice

Alaska's two U.S. Senators Mike Gravel and Ted Stevens are following tow different tactics in their battle against D-2 legislation that would mean a death knell to Alaska's future. Senator Gravel is attempting everything in the book to prevent a bill coming forth in the Senate this year including filibustering, and using the rules of that lawmaking body to his and our advantage. Senator Stevens, on the other hand, is letting it be known that he would compromise if the terms were right. And he appears to be attempting to use persuasion and relying on the tradition that the senate will not pass legislation if it is vehemently opposed by both of a state's senators.

This is not the first time that the two senators have disagreed on tactics or strategy. In fact, at times it seems that one or the other have purposely taken a tack to be different of the other.

On such key issues as this one, however, it appears to us that it would be to our advantage if the two were pulling together instead of apart. In this case, we believe that Senator Gravel is following the course of action supported by most Alaskans and we do not understand Stevens' course of action in an election year unless it is somehow tied up in his leadership role in the senate. Could it be that he considers he has such token opposition that he can go counter to the wishes of the electorate and get by with it?

We do not favor a compromise measure because it almost certainly would be materially and significantly changed in conference committee so that it would no longer represent a compromise. For that reason, we favor delay, no bill this year. We see no reason for attempted compromise when the risks are so high and we see no urgent need for a bill this year, especially when we have waited so long to obtain a just settlement.

We would recommend that Senator Stevens give up his idea of compromise for the time being and concentrate with Senator Gravel on trying to slow the steamroller down.